



**FEDERAL ELECTION COMMISSION**  
WASHINGTON, D.C. 20463

**SEP 22 2015**

**M. Melinda Karns, Treasurer**  
**Kentucky State Democratic Central Executive Committee**  
**P. O. Box 694**  
**Frankfurt, KY 40602**

**RE: MUR 6967**  
**(formerly AR 15-03)**  
**Kentucky State Democratic Central**  
**Executive Committee and**  
**M. Melinda Karns in her**  
**official capacity as treasurer**

**Dear Ms. Karns:**

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting that Kentucky State Democratic Central Executive Committee and you in your official capacity as treasurer (the "Committee"), may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On April 28, 2015, the Commission notified the Committee that it was being referred to the Commission's Office of the General Counsel for possible enforcement action under 52 U.S.C. § 30109. On September 17, 2015, the Commission found reason to believe that the Committee violated 11 C.F.R. § 106.7(d)(1). Enclosed is the Factual and Legal Analysis that sets forth the basis for the Commission's determination.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. This matter will remain confidential in accordance with 52 U.S.C. § 30109(a)(4)(B) and § 30109(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.<sup>1</sup>

In order to expedite the resolution of this matter, the Commission has authorized the Office of the General Counsel to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Pre-probable cause conciliation is not mandated by the Act or the Commission's regulations, but is a

<sup>1</sup> The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

voluntary step in the enforcement process that the Commission is offering to the Committee as a way to resolve this matter at an early stage and without the need for briefing the issue of whether or not the Commission should find probable cause to believe that the Committee violated the law.

If the Committee is interested in engaging in pre-probable cause conciliation, please contact Delbert K. Rigsby, the attorney assigned to this matter, at (202) 694-1650 or (800) 424-9530, within seven days of receipt of this letter. During conciliation, you may submit any factual or legal materials that you believe are relevant to the resolution of this matter. Because the Commission only enters into pre-probable cause conciliation in matters that it believes have a reasonable opportunity for settlement, we may proceed to the next step in the enforcement process if a mutually acceptable conciliation agreement cannot be reached within sixty days. See 52 U.S.C. § 30109(a), 11 C.F.R. Part 111 (Subpart A). Conversely, if you are not interested in pre-probable cause conciliation, the Commission may conduct formal discovery in this matter or proceed to the next step in the enforcement process. Please note that once the Commission enters the next step in the enforcement process, it may decline to engage in further settlement discussions until after making a probable cause finding.

If the Committee intends to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

We look forward to your response.

On behalf of the Commission,

  
Ann M. Ravel  
Chair

Enclosures  
Factual and Legal Analysis

1 **FEDERAL ELECTION COMMISSION**

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3 **FACTUAL AND LEGAL ANALYSIS**

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5 **RESPONDENTS:** Kentucky State Democratic Central Executive  
6 Committee and M. Melinda Karns in her  
7 official capacity as treasurer  
8

MUR 6967

9 **I. INTRODUCTION**

10 This matter was generated by a Commission audit of the Kentucky State Democratic  
11 Central Executive Committee ("KDC") covering the period of January 1, 2011, through  
12 December 31, 2012. The Commission approved the Final Audit Report on April 8, 2015, and the  
13 Audit Division referred a recordkeeping finding to the Office of the General Counsel ("OGC")  
14 for possible enforcement action relating to KDC's failure to maintain monthly payroll logs to  
15 document the percentage of time each employee spent in connection with a federal election.  
16 OGC notified KDC of the Referral, but KDC did not file a response. Based on the discussion  
17 below and the facts, analysis, and findings set forth in the Final Audit Report, which is herein  
18 incorporated by reference, the Commission finds reason to believe that KDC violated 11 C.F.R.  
19 § 106.7(d)(1) by failing to maintain payroll logs regarding \$820,979 in salary payments.

20 **II. FACTUAL AND LEGAL ANALYSIS**

21 Commission regulations provide that salaries, wages, and fringe benefits "[paid] to State,  
22 district, or local party committee employees who spend 25 percent or less of their compensated  
23 time in a given month on Federal election activity or on activity in connection with a Federal  
24 election" may be allocated as administrative costs; *i.e.*, may be paid with a combination of funds  
25 from the committee's federal and non-federal accounts.<sup>1</sup> Commission regulations also provide  
26 that when allocating salary, wage, and fringe benefit payments, political party committees are

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<sup>1</sup> 11 C.F.R. §§ 106.7(c)(1), (d)(1)(i), and (d)(2).

1 required to “keep a monthly log of the percentage of time each employee spends in connection  
2 with a Federal election.”<sup>2</sup>

3 As set forth in the Final Audit Report, the Commission found that KDC failed to maintain  
4 monthly payroll logs for the \$820,979 in 2011 and 2012 that KDC disclosed as having been paid  
5 with an allocation of federal and non-federal funds.<sup>3</sup> During the audit process, Audit staff  
6 requested documentation to verify the time employees spent on federal election activity, and  
7 KDC submitted affidavits from seven employees who worked during 2012.<sup>4</sup> The employee  
8 affidavits, however, did not resolve the recordkeeping finding because the affidavits were  
9 prepared after KDC was notified of the audit.<sup>5</sup> Also during the audit, KDC amended its reports  
10 to disclose that \$503,149 of the employee salaries that were previously reported as allocated  
11 expenses were 100 percent federal expenses.<sup>6</sup> The amended reports, however, did not preclude  
12 this portion of the activity from the Final Audit Report because the amendments were filed after  
13 KDC was notified of the audit.<sup>7</sup> Therefore, the Commission finds reason to believe that KDC  
14 violated 11 C.F.R. § 106.7(d)(1).

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<sup>2</sup> 11 C.F.R. § 106.7(d)(1).

<sup>3</sup> See Final Audit Report at 6.

<sup>4</sup> *Id.* at 7.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 6.

<sup>7</sup> *Id.*